

C98F00
Workers' Compensation Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>	<u>% Change Prior Year</u>
Special Fund	\$13,631	\$13,961	\$13,984	\$23	0.2%
Contingent & Back of Bill Reductions	0	0	-16	-16	
Adjusted Special Fund	\$13,631	\$13,961	\$13,967	\$6	0.0%
 Adjusted Grand Total	 \$13,631	 \$13,961	 \$13,967	 \$6	 0.0%

- The commission's fiscal 2014 allowance increases by \$6,186 from the fiscal 2013 working appropriation after across-the-board reductions are included.

Personnel Data

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>
Regular Positions	121.00	121.00	121.00	0.00
Contractual FTEs	<u>6.72</u>	<u>11.25</u>	<u>11.25</u>	<u>0.00</u>
Total Personnel	127.72	132.25	132.25	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	6.05	5.00%
Positions and Percentage Vacant as of 12/31/12	11.00	9.09%

- There is no change to the commission's fiscal 2014 personnel complement.
- Turnover expectancy is set at 5.0% in the fiscal 2014 allowance, which requires the commission to maintain more than 6 vacant positions throughout the year. As of December 31, 2012, the commission had 11 vacant positions, or 9.09%.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Major Trends

Goal for Setting Hearings in a Timely Fashion Falls Off the Mark: The commission fell short of the goal of scheduling 90% of nonpermanency hearings within 60 days of their filing date despite the fact that the number of nonpermanency hearings fell from the previous fiscal year.

Electronic Document-flow Increases Incrementally: Over 43% of all filings being transmitted to the Workers' Compensation Commission arrived via computer in fiscal 2012, with the largest increases coming in the most common forms.

Recommended Actions

1. Concur with Governor's allowance.

Updates

Caseload Levels and Insurer Assessments: Hearings and appeals increased in fiscal 2012, while the first reports of injury declined. The commission's insurer payroll assessment base also declined in fiscal 2012, while the assessment per \$1,000 of payroll increased.

C98F00
Workers' Compensation Commission

Operating Budget Analysis

Program Description

The Workers' Compensation Commission (WCC) administers the State Workers' Compensation Law that requires most Maryland employers to obtain and maintain insurance to provide benefits for employees who sustain an accidental personal injury, occupational disease, or death in the course of their employment. WCC receives, processes, and adjudicates claims for injured employees and refers appropriate claimants for medical and rehabilitation vocational services. WCC is a special fund agency that covers expenditures with an annual maintenance assessment levied on insurance carriers and self-insured employers. The WCC mission addresses the need for the effective and timely delivery of services provided to its customers; a system for electronic exchange of all claims information documents; and the establishment of an effective system for the collection and analysis of all costs associated with the delivery of workers' compensation benefits.

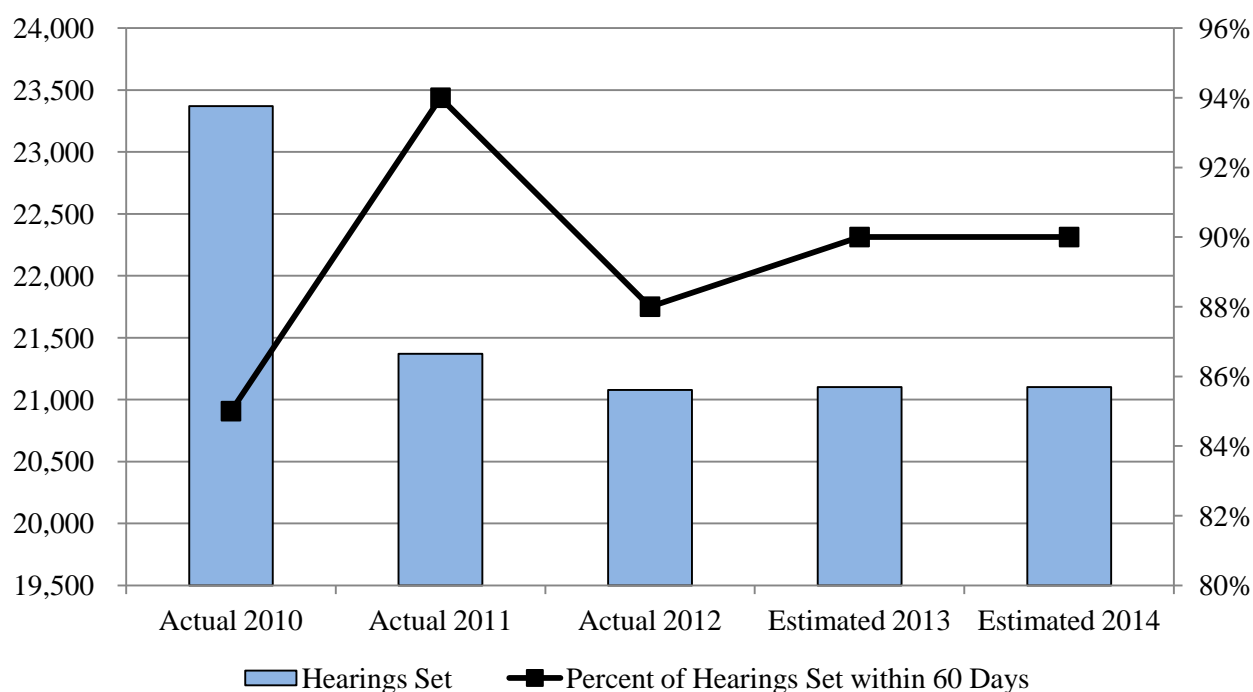
Performance Analysis: Managing for Results

1. Goal for Setting Hearings in a Timely Fashion Falls Off the Mark

In fiscal 2010, WCC's primary Managing for Results goal measure was retooled to report a more meaningful statistic, namely the rate with which WCC provided its customers nonpermanency hearings within 60 days of their filing date. In fiscal 2010, the first year in which the new data was tracked, WCC scheduled hearings for 85% of the 23,370 nonpermanency hearings within the 60-day timeline established by the measure. The agency thus adopted 90% of hearings within the 60-day limit as the goal for this MFR measure.

As seen in **Exhibit 1**, the timely delivery of hearing dates jumped to 94% of the total in fiscal 2011, while the number of hearings set by the commission fell to 21,370. It was noted that while fewer hearings aided the agency with its time-sensitive scheduling requirements, WCC believed that even with more dates scheduled, the new measure's goal could be consistently achieved in the future. However, in fiscal 2012, the number of nonpermanency hearings set within 60 days fell to 88% despite the fact that the number of nonpermanency hearings fell again to 21,079. WCC attributes this decline to an unexpected vacancy in one of the commissioner positions. Projections for the future suggest that WCC can achieve the goal in the next fiscal year.

Exhibit 1
Nonpermanency Hearings Set within 60 Days
Fiscal 2010-2014



Source: Workers' Compensation Commission

2. Electronic Document-flow Increases Incrementally

Exhibit 2 tracks the form filing activities of WCC users. While fewer forms were filed overall in fiscal 2012, the percentage of forms received over the internet increased slightly. There was an increase in the amount of frequently used forms that were filed electronically, rising to 58% in fiscal 2012 from 54% in fiscal 2011. Most notably, Vocational Rehabilitation Progress Reports are filed almost 100% electronically. However, this was offset by the fact that electronic submission of other forms which have e-file options was down to 31% in fiscal 2012 from 35% in fiscal 2011. The greater the percentage of eForms utilized by commission users, the greater the agency's savings on postage and paper, and the speedier the clientele's processing time.

Exhibit 2
Electronic Form Filing
Fiscal 2010-2012

	2010			2011			2012		
Frequently Used Forms	Total Forms	Total eForms	Percent	Total Forms	Total eForms	Percent	Total Forms	Total eForms	Percent
Postponement Request	9,579	7,516	78.5%	9,244	7,807	84.5%	9,570	8,313	86.9%
Enter/Strike Appearance	55,742	17,506	31.4%	59,169	21,645	36.6%	62,159	21,866	35.2%
Issues Controversion	30,021	18,148	60.5%	31,106	21,954	70.6%	31,365	24,045	76.7%
Vocational Rehabilitation Progress Report	12,088	8,228	68.1%	12,662	10,485	82.8%	17,496	17,495	100.0%
Vocational Rehabilitation Referral Notice*	5,596	3,607	64.5%	286	0	0.0%	282	0	0.0%
Employee Claim Form	23,532	6,095	25.9%	23,204	7,780	33.5%	22,953	8,544	37.2%
Withdraw Issues/Set With	12,169	9,313	76.5%	12,108	10,010	82.7%	11,494	10,009	87.1%
Subtotal	148,727	70,413	47.3%	147,779	79,681	53.9%	155,319	90,272	58.1%
All Other Forms	155,966	32,621	20.9%	190,910	67,236	35.2%	182,058	56,699	31.1%
Total Forms	304,693	103,034	33.8%	338,689	146,917	43.4%	337,377	146,971	43.6%

* The Vocational Rehabilitation Referral Notices form was discontinued and merged with Progress Report forms as of April 2010.

Source: Workers' Compensation Commission

While electronic filings did not shoot up in fiscal 2012, there was an increase in the number of attorneys registered with the commission's Web-enabled File Management System (WFMS) as well as an increase in the number of claims handled by both attorneys and insurers/self-insurers through WFMS. WFMS is a system where subscribers that are parties to a case have maximum access to electronically filed data and can view all documents about a claim, *e.g.*, claim forms, exhibits, award orders, or other related filings. Nonsubscribing members of the public can also obtain information through WFMS on claim forms (excluding personal financial, medical, or claimant contact data), award inquiries, as well as details about hearings, such as issues filed, dates and locations, and their results. Increasing customer demand for this level of interactivity is reflected in the growing use of the most frequently utilized forms, as shown in Exhibit 2. Furthermore, registration with WFMS and utilization of the system are both projected to increase in fiscal 2013 and 2014.

Proposed Budget

As shown in **Exhibit 3**, the fiscal 2014 allowance grows by \$6,186.

Exhibit 3
Proposed Budget
Workers' Compensation Commission
(\$ in Thousands)

How Much It Grows:	<u>Special Fund</u>	<u>Total</u>
2013 Working Appropriation	\$13,961	\$13,961
2014 Allowance	<u>13,984</u>	<u>13,984</u>
Amount Change	\$23	\$23
Percent Change	0.2%	0.2%
Contingent Reductions	-\$16	-\$16
Adjusted Change	\$6	\$6
Adjusted Percent Change	0.0%	0.0%

Where It Goes:**Personnel Expenses**

Employee retirement	\$162
Annualized cost-of-living adjustment	83
Employee and retiree health insurance, net of across-the-board reduction	64
Increments and other compensation	19
Other personnel adjustments	6
Workers' compensation adjustment	-39
Turnover adjustments	-51
Judicial retirement	-114

Other Changes

Supplies	31
Rent	15
Association dues	10
Department of Information Technology services allocation	2
Department of Business and Management telecommunications	-28
Software maintenance	-41
Contractual personnel	-113

Total	\$6
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Note: Numbers may not sum to total due to rounding.

Personnel Expenditures

Personnel expenditures increase \$130,464 over the fiscal 2013 working appropriation. The largest increase is \$161,707 for employee retirement contributions. Contribution rates for the regular employees’, teachers’, State Police, and law enforcement officers’ pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. However, pension contribution rates decline in fiscal 2014 for the judicial retirement plan, resulting in a decrease of \$113,935 in the allowance. This is primarily attributable to increasing judges’ contributions to the plan, changing assumptions, and receiving a settlement in favor of the plan that reduces the unfunded liability. The Workers’ Compensation Commissioners are part of the judicial retirement plan.

Other major increases in personnel costs include \$82,667 for the annualization of the cost-of-living adjustment (COLA) increase, \$64,390 for health insurance contributions after across-the-board reductions, and \$19,269 in regular salaries due to the increase for commissioners related to the judicial salary increase.

Nonpersonnel Related Expenditures

Large increases in nonpersonnel related expenditures include \$31,425 for supplies, \$15,010 in built-in increases in rent, and \$10,093 in association dues for increased participation in national workers’ compensation associations. There is also an increase of \$1,566 for service costs from the Department of Information Technology. These are more than offset by decreases, of which the largest is \$113,072 in contractual personnel expenditures. This is achieved mainly through limiting funding for certain contractual positions which are currently vacant. Other decreases include \$41,000 for software maintenance costs and \$28,386 in assigned telecommunication charges.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Caseload Levels and Insurer Assessments

In fiscal 2012, caseload figures in areas that influence the commission's workload exhibited differing results, with some figures trending downward and others upward. Total first reports of injury and total filed claims decreased from fiscal 2011 levels while the number of hearings set and appeals increased. WCC attributes the increase in hearings and appeals to the elimination of furlough days in fiscal 2012. **Exhibit 4** displays the key figures that drive the commission's workload.

Exhibit 4
Commission Claim Actions
Fiscal 2010-2014

	<u>Actual</u> <u>2010</u>	<u>Actual</u> <u>2011</u>	<u>Actual</u> <u>2012</u>	<u>Est.</u> <u>2013</u>	<u>Est.</u> <u>2014</u>
First Reports of Injury	102,927	113,984	105,074	105,000	105,000
Total Filed Claims	23,003	23,366	22,909	23,000	23,000
Issues Filed	43,553	43,970	43,956	44,000	44,000
Hearings Set	42,042	41,521	41,561	42,000	42,000
Appeals	1,941	1,859	2,031	2,000	2,000

Source: Workers' Compensation Commission

The commission's special funded operating budget is generated by an assessment levied on licensed insurers and authorized self-insured entities. **Exhibit 5** lists the payroll base, commission expense, and the resultant assessment for fiscal 2009 to 2012. While the assessable payroll base declined from fiscal 2011, commission expenses and the Department of Labor, Licensing, and Regulation's safety program costs, including the cost associated with the Workplace Fraud Unit, all rose in fiscal 2012. This resulted in a higher assessment rate.

Exhibit 5
Total Payrolls and Insurer Assessments
Fiscal 2009-2012

	<u>Assessment Base</u> <u>Insurer Payroll</u>	<u>Gross</u> <u>Commission</u> <u>Expense</u>	<u>Safety Program</u> <u>Cost</u>	<u>Net</u> <u>Commission</u> <u>Expense*</u>	<u>Assessment Per</u> <u>\$1,000 of Payroll</u>
2012	\$110,175,781,742	\$25,059,646	\$11,319,662	\$13,739,984	0.227
2011	112,656,771,036	24,428,360	9,985,427	13,496,037	0.217
2010	108,195,546,586	22,440,617	10,177,248	12,263,369	0.207
2009	112,282,039,829	20,879,634	10,095,153	10,784,481	0.185

* Insurers were given a \$2.6 million credit for fiscal 2009 to correct an overaccumulation of funds in the balance, the actual commission expense was \$13.3 million. In fiscal 2011, an additional \$946,896 above commission expense was billed to insurers to replenish the agency's fund balance, which is statutorily permissible up to 1% of its appropriation to provide for emergency expenditures.

Source: Workers' Compensation Commission

Current and Prior Year Budgets

Current and Prior Year Budgets Workers' Compensation Commission (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$0	\$13,883	\$0	\$0	\$13,883
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	81	0	0	81
Reversions and Cancellations	0	-333	0	0	-333
Actual Expenditures	\$0	\$13,631	\$0	\$0	\$13,631
Fiscal 2013					
Legislative Appropriation	\$0	\$13,879	\$0	\$0	\$13,879
Budget Amendments	0	83	0	0	83
Working Appropriation	\$0	\$13,961	\$0	\$0	\$13,961

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

WCC completed fiscal 2012 \$251,987 below the legislative appropriation. This is mainly due to \$333,092 in cancelled funds due to unexpected vacancies and delays in hiring due to the freeze/exemption and reclassification process. \$81,105 was added through budget amendment for the one-time \$750 employee bonus.

Fiscal 2013

To date, \$82,500 has been added to the legislative appropriation in special funds from the COLA budget amendment related to the Budget Restoration Fund.

Audit Findings

Audit Period for Last Audit:	March 12, 2008 – May 8, 2011
Issue Date:	March 2012
Number of Findings:	3
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: Errors were made in the calculation of assessments to insurance companies and self-insured employers.

Finding 2: WCC did not ensure that assessments were properly recorded in the accounts receivable records.

Finding 3: WCC did not ensure that payments for certain audit services were proper.

**Object/Fund Difference Report
Workers' Compensation Commission**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	121.00	121.00	121.00	0.00	0%
02 Contractual	6.72	11.25	11.25	0.00	0%
Total Positions	127.72	132.25	132.25	0.00	0%
Objects					
01 Salaries and Wages	\$ 9,771,035	\$ 10,128,668	\$ 10,275,453	\$ 146,785	1.4%
02 Technical and Spec. Fees	516,517	597,504	484,432	-113,072	-18.9%
03 Communication	443,564	520,999	477,120	-43,879	-8.4%
04 Travel	178,672	84,700	92,427	7,727	9.1%
06 Fuel and Utilities	9,422	8,500	9,705	1,205	14.2%
07 Motor Vehicles	73,533	91,104	89,346	-1,758	-1.9%
08 Contractual Services	609,435	635,691	604,414	-31,277	-4.9%
09 Supplies and Materials	145,555	120,253	151,678	31,425	26.1%
10 Equipment – Replacement	111,645	0	0	0	0.0%
11 Equipment – Additional	94,616	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	52,387	52,387	52,387	0	0%
13 Fixed Charges	1,618,691	1,721,483	1,746,834	25,351	1.5%
14 Land and Structures	5,820	0	0	0	0.0%
Total Objects	\$ 13,630,892	\$ 13,961,289	\$ 13,983,796	\$ 22,507	0.2%
Funds					
03 Special Fund	\$ 13,630,892	\$ 13,961,289	\$ 13,983,796	\$ 22,507	0.2%
Total Funds	\$ 13,630,892	\$ 13,961,289	\$ 13,983,796	\$ 22,507	0.2%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.